



**STATE OF MONTANA
DEPARTMENT OF CORRECTIONS
POLICY DIRECTIVE**

Policy No. DOC 1.2.9	Subject: CONTRACTS
Chapter 1: ADMINISTRATION AND MANAGEMENT	Page 1 of 5 and Attachments
Section 2: Fiscal Management	Effective Date: May 1, 1996
Signature: /s/ Mike Ferriter, Director	Revised: 02/02/00; 11/01/00; 03/08/01; 12/21/04; 04/18/06; 07/01/08; 11/19/10

I. POLICY

The Department of Corrections will administer all contracts in compliance with Montana Code Annotated, Administrative Rules of Montana, the Department of Administration Risk Management Policies and Procedures Manual and Procurement Delegation Agreement, and the Department of Corrections Contracting and Purchasing Procedures Manual.

II. APPLICABILITY

All Department divisions, facilities, and programs.

III. DEFINITIONS

Bureau – For the purposes of this policy, means Contracts Management Bureau.

Contract – A written or verbal agreement between a Department of Corrections facility/program/division and any other governmental, public, or private entity for the procurement of goods or services of any type. The term includes all written or verbal agreements; leases; Memorandums of Understanding (MOU); letters of agreement; mutual aid agreements between the Department and other state or local government entities that define the safety and security roles of all parties in the event of an incident requiring assistance from the other governmental entities; and subsequent amendments of said documents, regardless of whether there is any Department financial obligation. The term does not include hardware/software maintenance agreements; Service Level Agreements (SLA) with the Department of Administration; service agreements for office machines or telephone systems; software licensing agreements; revenue generating agreements; or Purchase Orders issued in accordance with the procurement delegation agreement.

Contract Liaison/Contract Monitor – The staff member designated to oversee contract terms and compliance and serve as the primary contact between the Department and the contracted service provider.

Delegation Agreement – The agreement entered into by the Department of Corrections and the Department of Administration, State Procurement Bureau, authorizing the Department to perform procurement activities in accordance with the delegation agreement, *Title 18, MCA*, and *Title 2, Chapter 5, ARM*.

Mutual Aid Agreement - Written agreement between agencies and/or jurisdictions in which they agree to assist one another upon request, by furnishing personnel and equipment.

Revenue Generating Contract – An agreement between the Department and another entity with the intended purpose of generating revenue to the facility/program/division from the sale of goods or

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provision of services.

Total Contract Value – The entire potential monetary worth of the project from beginning to completion, including the initial contract period and any options to renew [*Ref. ARM 2.5.201(41)*].

IV. DEPARTMENT DIRECTIVES

The Bureau will: administer the routing and approval process of all contracts for services with a total contract value over \$5,000 and all MOU's, Letters of Agreement, inter-agency agreements, and inter-governmental agreements regardless of dollar amount; maintain a centralized database of all Department contracts identified herein; and facilitate an effective contract management process intended to minimize risk and liability and maximize efficiency.

A. New Contracts

1. Each facility/program/division (f/p/d) that requires a contract for services with a total contract value over \$5,000 must submit a [Contract Justification](#) to the Bureau well in advance of the requested contract start date.
2. The Bureau will:
 - a. work with the requesting party to draft a document that will comply with all applicable state laws and rules to meet the (f/p/d) needs;
 - b. assign each contract a number unique to the f/p/d;
 - c. maintain the original contract and provide a copy to the f/p/d and the contract holder;
 - d. route each contract request to the appropriate unit (i.e., Budget, Accounting, Information Technology, etc.) for approval;
 - e. submit the final contract to the designated Department attorney for legal review, approval, and attorney signature; and
 - f. acquire appropriate signatures on the final, approved contract.

B. Revenue Generating Contracts

1. Each (f/p/d) that requires a Revenue Generating Contract, regardless of the amount, will:
 - a. draft a document that complies with all applicable laws and rules, meets the f/p/d needs, and includes a description of the service or product to be provided;
 - b. assign a revenue contract number unique to the f/p/d;
 - c. route the original contract for legal review, approval and attorney signature, if needed;
 - d. acquire appropriate signatures on the final approved contract; and
 - e. maintain the original contract and provide a copy to the Bureau;

C. Amendments

1. All requests for contract amendments, including renewals and extensions, will be submitted to the Bureau for processing and must include a [Contract Justification](#) and/or [Evaluation of Contractor Performance](#) as further described in Section IV of this policy.
2. All requests for amendments should be submitted to the Bureau well in advance of the requested/required effective date of the amendment.

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D. Purchases

1. The Bureau will administer all Department purchases of goods and services, respectively, pursuant to this policy and *DOC Policy 1.2.8, Procurement*.

E. Delegation of Contracting Authority

1. The Bureau may, on a case-by-case basis, delegate specific contracting authority to the f/p/d for contracts with a total contract value over \$5,000.
2. The f/p/d may request additional delegated contract authority.
3. The f/p/d will submit a written request to the Bureau for each contract, or type of contract, for which it seeks delegation.
4. The Bureau's approval must be in writing and may require additional approval by another state agency.

F. Delegation

1. The f/p/d may directly enter into contracts (except those specifically excluded herein) with a total contract value of less than \$5,000 at the discretion of the facility administrator. These contracts must follow Department format and comply with *Title 18, MCA, and ARM 2.5.101 through 2.5.801*, and do not require review or approval from the Bureau.
2. The f/p/d must maintain a contract log, contract copies on-site, and provide the Bureau with a signed copy of each contract within thirty (30) days of the contract start date.

G. Contract Liaison

Generally, the department administrator (or contract signatory) is ultimately responsible for managing contracts from the beginning to the end of the contract cycle, and the designated Contract Liaison serves as the primary contact person for all communications between the department and the contractor. Typically, the Contract Liaison will also provide the principal contract management and monitoring function – unless the administrator and Contract Liaison otherwise agree.

1. The primary functions of the Contract Liaison are:
 - a. serve as primary contact for the contractor;
 - b. oversee day-to-day operations and provision of services by the contractor;
 - c. determine necessary contract changes and notify the Bureau of requested changes;
 - d. negotiate contract terms, scope of service, and compensation;
 - e. review invoiced services [per contract] and approve for payment, as appropriate;
 - f. contract monitoring to ensure contractor compliance with contract terms;
 - g. evaluation of contractor performance [annually] or more often, as necessary;
 - h. submission of [Contract Justification](#) for new contracts or renewal of existing contracts;
 - i. submission of quarterly contract reports; and
 - j. submission of annual contractor performance evaluation reports.

H. Monitoring Contracted Services

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1. Selection of a Contract Monitor

A critical part of the contract monitoring process is the selection of an appropriate individual. The administrator should select a Contract Liaison and/or Contract Monitor based on the individual's knowledge, skills, and abilities to effectively carry out the responsibilities of this position.

2. Responsibilities of the Contract Monitor

- a. be intimately familiar with and fully understand the contract language, including the specific contract obligations, and determine the performance indicators by which performance will be monitored;
- b. determine the methods to be used to measure and track contractor performance and levels of performance acceptable to the f/p/d;
- c. assess the risks related to the project before contracting for services to determine the extent of monitoring appropriate to the contract;
- d. ensure the contractor has a clear understanding of how the contract will be managed and monitored;
- e. provide the contractor with guidance and technical assistance, as needed, to promote effective contract performance;
- f. monitor the contractor's activities through a variety of means to ensure quality service delivery;
- g. resolve issues or problems that arise during the contract;
- h. identify potential contract inefficiencies and risks that, if eliminated, would result in a cost savings to the department;
- i. review invoices and verify that the department is being billed in accordance with the contract terms and that the billed services were provided;
- j. notify the contractor of discrepancies in billing and contract compliance issues;
- k. share contractor performance information with appropriate department staff;
- l. document all contract monitoring activities to validate consistent and effective contract management;
- m. submit an [Evaluation of Contractor Performance](#) to the Bureau, annually, and prior to renewal of an existing contract;

C. Evaluation of Contractor Performance

1. Administrators shall ensure that the performance of all contracted service providers is evaluated prior to entering into contract negotiations and prior to requesting renewal of a contract, but not less than annually. [Evaluation of Contractor Performance](#) shall be documented using the forms designated by the Bureau (attached). Contracts will not be renewed with contractors that fail to achieve an overall evaluation rating of less than "satisfactory" – as determined by an assessment of the evaluation of the ratings provided on the Evaluation of Contractor Performance document.
2. Documentation of contractor performance shall be kept by the Contract Liaison/Monitor in a designated contract file and shall include, at a minimum: a copy of the contract, as amended; invoices; memos to contractor; a log of discussions with contractor; actions taken by the contractor; reports; and other documents necessary to support contract monitoring activities.

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D. Quarterly Contract Reporting

Contract Liaisons shall submit quarterly contract reports to the Bureau using the authorized reporting form. Reports shall be submitted by the time and date identified by the Bureau. Quarterly contract reports are not required for the contract types specifically excluded in the “Contract” definition.

E. Contract Compliance

The director and each warden, superintendent, and division administrator is responsible for ensuring Department compliance with contracting procedures.

V. CLOSING

Questions concerning this policy should be directed to the Administrative and Financial Services Division Administrator.

VI. REFERENCES

- A. [2-15-112](#), MCA, *Duties and Powers of Department Heads*; [53-1-203](#), MCA, *Powers and Duties of Department of Corrections*; [53-30-132](#), MCA, *Inmate Participation and Status in Prison Work Programs – Prison Industries and Vocational Training Program – Wages and Benefits*; [53-30-133](#), MCA, *Administration of Prison Industries Training Program*; [Title 18, Title 28](#), MCA
- B. [ARM Title 2, Chapter 5](#)
- C. DOC Policy [1.2.8](#), *Procurement*
- D. *Procurement Delegation Agreement, Department of Administration*

VII. ATTACHMENTS

[Evaluation of Contractor Performance](#)
[Contract Justification](#)